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ACCOUNTING FOR VETERANS' EDUCATIONAL
ASSISTANCE BENEFITS

by

Ned A. Broyles

June 1984

Thesis Advisor:

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Accounting for Veterans' Educational
Assistance Benefits

by

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

The purpose of this study is to investigate accrual basis accounting as an alternative for accounting for the cost of GI Bill and VEAP veterans' educational assistance benefits. The history of veterans' educational assistance and current accounting methods are reviewed. The study suggests pension accounting techniques and inputs to a cost model as a basis to allocate the entitlements' cost.

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I. INTRODUCTION

Through the years Congress has enacted a series of laws offering veterans' educational assistance benefits as a portion of their military compensation package. These benefits have taken various forms in recent years: GI Bills, the Veterans' Educational Assistance Program (VEAP), and the Fiscal Year 1981 (FY 81) Educational Assistance Test Programs [Ref. 1]. Present educational entitlement¹ programs administered by the Veterans Administration (VA) include a GI Bill and VEAP. The GI Bill entitlements are paid directly to qualifying veterans attending an approved educational institution. The VEAP is a voluntary contributory educational assistance program. In this program the Department of Defense (DOD) matches a service member's contribution to an education plan at a rate of \$2 for every \$1 made by the participant. These various educational entitlement programs have also provided enlistment incentives to attract quality youth to the all-volunteer military services [Refs. 2;3].

A. PURPOSE

The purpose of this thesis is fourfold:

1. Present background information on veterans' educational assistance programs.

¹Entitlements - Legally established payments of benefits to eligible persons meeting requirements established by law [Ref. 4:32].

2. Present background information on government accounting and the present method used to account for veterans' educational assistance benefits.
3. Present accrual² accounting as an alternative accounting method to account for the costs of educational entitlements.
4. Discuss the value of the accrual accounting concept to decision makers and program managers.

B. SCOPE

This study discusses VEAP educational assistance programs for qualified military service personnel and veterans. Since college level training makes up approximately two-thirds of all current GI Bill training [Ref. 5], discussion and analysis of the GI Bill and VEAP is limited to the direct entitlement benefits used for college level education. For a complete review of all current GI Bill educational assistance benefits, Appendix A is included. Additionally, there are other veterans' compensation and educational assistance programs sponsored by the federal government that are not discussed in this study [Ref. 6].

This paper examines the direct entitlement costs and how those entitlements should be accounted for. The relevance and

²Accrual accounting - The method of accounting whereby revenues and expenses are identified with specific periods of time and are recorded as incurred without regard to the date of receipt or payment of cash [Ref. 7:16].

benefit of having full cost³ information is not discounted in program cost accounting. Its value to decision makers and program managers is well documented [Refs. 4;8;9;10;11]. A section is included in Chapter III on other program costs. However, limitations in the availability of full cost information precluded a full analysis of all relevant costs. This section is included to indicate that there are other costs to consider when accounting for the full cost of veterans' educational assistance programs such as the GI Bill and VEAP.

C. ISSUE

Veterans' educational assistance entitlements represent a deferred benefit similar in concept to a retirement benefit. The existing cash or pay-as-you-go accounting method records the cost when the educational entitlement is paid to the veteran [Refs. 12;13]. The issue of accounting for these entitlements is explored in this study. The specific question addressed is: What alternative accounting methodology could be used to account for veterans' educational benefits?

D. DESCRIPTION OF RESEARCH METHOD

This paper was composed from information originating from many sources. An extensive literature review was conducted

³Full cost - (of a program) Sum of the direct costs plus an equitable share of indirect cost. Direct costs are costs traceable to a single cost objective or program. Indirect costs are costs shared between two or more cost objectives or programs [Ref. 9:11].

to accumulate background information on the various GI Bills, VEAP programs, and accounting methods. Telephone interviews were also conducted with various officials from the VA, DOD, and General Accounting Office (GAO).

The accrual basis of accounting is used to analyze the cost data and accounting information researched.

E. BRIEF SUMMARY OF FINDINGS

Veterans' educational benefits are similar to retirement/pension benefits in that a future entitlement is earned by present service personnel [Ref. 12]. The present cash basis of accounting for these educational entitlements recognizes the cost when entitlements are paid out [Refs. 12;13]. Additionally, there are no accrual accounts reflected in the federal budget to show the future educational benefits earned by today's service members [Ref. 14:8-155]. Failing to record these deferred entitlements as a current employment cost excludes educational assistance from the full cost of today's military compensation package. The Congressional Budget Office (CBO), in a separate study, has estimated that the charge to DOD in fiscal year 1983 under an accrual accounting system would approximate \$120 million for the contributory VEAP [Ref. 12]. Also, by deferring costs with the pay-as-you-go method, the burden of providing for the entitlement program is placed on future generations, rather than on the current one [Ref. 9:196]. It should be noted that the accounting and the

funding for entitlement programs are two separate issues.

This study is primarily concerned with the accounting issue.

II. BACKGROUND

This chapter chronologically reviews the various GI Bills, the more recent Veterans' Educational Assistance Program (VEAP), and the educational assistance test programs of 1981. The GI Bill benefits specifically addressed are the institutional educational benefits used for college level training by qualified veterans. Appendix A contains a more complete listing of all the current GI Bill's educational assistance benefits.

A. GI BILLS

The federal government's involvement with veterans' educational assistance programs as a part of military compensation began on 22 June 1944 [Ref. 15:xi]. This initial GI Bill was the public's response to endorse education as a means of veterans' readjustment. Those in uniform were of special concern because once their demobilization had been completed, one-quarter of the entire work force would be comprised of veterans [Ref. 16:21]. The President's Commission on Veterans' Pensions in 1956 [Ref. 17:54] noted several major concerns that had been expressed after the Second World War: the welfare of demobilized veterans thrust upon an economy in the midst of reconversion to peacetime activity; the stability of the economy (including a possible postwar depression); the stability of our political institutions; the "educational

deficit" that had occurred as a result of taking many young people out of schools and sending them to war; and runaway demands for pensions and other benefits that might swamp the economy beneath an unbearable load. All these concerns exerted influence in the passage of the first GI Bill that was to have long term effects on many aspects of American life [Ref. 15:1]. Since that first GI Bill, more than 23 million individuals have received educational and training benefits under various GI Bills at a cost to the federal government of over 58 billion dollars [Ref. 5:29-30].

1. World War II GI Bill

The Serviceman's Readjustment Act of 1944, PL 346, 78th Congress, became law on 22 June 1944 and covered service in the armed forces between 16 September 1940 and 25 July 1947 [Ref. 18:19].

The educational benefit consisted of payments by the government directly to the institution where the veteran was pursuing a course of education or training. These entitlements for books, tuition, and customary fees were not to exceed \$500 for the school year. A student was allowed a tuition allowance at an accelerated rate to cover educational costs if they exceeded the \$500 figure, with a charge of one day of entitlement for each \$2.10 paid. In addition, veterans received a monthly subsistence allowance of \$50 which was later increased to \$65 in 1946 and \$75 in 1948. A statutory ceiling curtailed benefits if a veteran's monthly income rose above \$175 if he

For the purpose of this GI Bill, the Korean Conflict was considered to have started 27 June 1950, and to have ended 31 January 1955. However, for persons on active duty on 31 January 1955, the ending date was postponed until the date of such person's first discharge or release from active duty after 31 January 1955. Payment of educational assistance based on Korean Conflict service terminated 31 January 1965 [Ref. 19:341].

3. Post-Korean War GI Bill

The post-Korean or Cold War GI Bill, PL 358, 89th Congress, became effective 1 June 1966, and covered service after 1 February 1955 [Ref. 18:19]. This bill provided an educational assistance allowance of \$100 in 1966 which was raised periodically to a 1972 level of \$220 for a veteran with no dependents. A veteran with one dependent received \$261 while those with two received \$298 and those with more than two received \$18 for each additional dependent [Ref. 18:21]. The post-Korean Bill provided training at the same $1\frac{1}{2}$ rate as the Korean Bill, but earned the maximum of 36 months after only 18 months of service. Another change made service members eligible to use their benefits while still in service, after serving a minimum of 181 days [Ref. 18:21]. Additionally, once a veteran had served a period of 18 months or more on active duty after 31 January 1955, and had been released from the service under conditions that would satisfy active duty obligation, entitlements included the 36 month stipend plus

an additional nine months of benefit payments for use in pursuing a program leading to an undergraduate college degree [Ref. 19:341]. In general, the educational allowance could not be paid beyond a date of 10 years after a veteran's last discharge or release from active duty after 31 January 1955 [Ref. 19:341].

4. Vietnam Veterans' GI Bill

The Vietnam Era Veterans' Readjustment Act of 1974, Public Law No. 93-508, essentially continued the existing GI Bill for persons who served on active duty for 180 or more days between 31 January 1955, and 1 January 1977 [Ref. 19:342]. Current rates of educational assistance as of January 1984 [Ref. 6:15] are presented in Table I. Column I of Table I pertains to the type of veteran's assistance program. The institutional program includes "any public, private, elementary, high, vocational, correspondence, or business school, junior or teachers' college, normal school, college or university, professional, scientific or technical institution, or any other institution which furnishes education at the secondary school level or above" [Ref. 6:13]. Columns II through V represent the monthly benefit received by the qualifying veteran. The amount varies with the number of dependents. For example, a veteran with two dependents attending college full-time would receive \$464 per month.

There is a proposed 15% increase in these allowances in the VA's FY 85 budget allowance [Ref. 20:16]. To be

TABLE I

EDUCATION TRAINING RATES

Column I	Column II	Column III	Column IV	Column V
TYPE OF PROGRAM	NO DEPENDENTS	ONE DEPENDENTS	TWO DEPENDENTS	MORE THAN TWO DEPENDENTS
Institutional				The amount in Column IV, plus the following for each dependent in excess of two:
Full-time	\$342	\$407	\$464	\$29
Three-quarter-time	257	305	348	22
Half-time	171	204	232	15
*Cooperative	276	323	367	21
Active duty, or Less than Half-Time	Tuition cost, not to exceed rate of \$342 for full time: \$257 for 3/4 time; \$171 for 1/2 time or less but more than 1/4 time; \$86 for 1/4 time or less.			

*This program combines formal education with training in a business or industrial establishment

eligible, a veteran must either have been discharged or released from active duty under conditions other than dishonorable or because of a service-connected disability. Also, active duty personnel who continue in the service would be eligible for educational assistance at a reduced rate (see Table I). Qualifying veterans are entitled to educational assistance for a period of $1\frac{1}{2}$ months for each month or fraction thereof of service on active duty after 31 January 1955, up to 45 months [Ref. 6:12]. Veterans qualifying under this bill who are released from active duty after 1 June 1966, have eligibility for ten years after their last discharge or release but not later than 31 December 1989, whichever is earlier [Ref. 6:14].

B. VETERANS' EDUCATION ASSISTANCE PROGRAM (VEAP)

The Veterans' Education and Employment Assistance Act of 1976, Public Law 94-502, replaced the GI Bill with the Post-Vietnam Educational Assistance Program (VEAP). Additionally, the language of the Act itself viewed the purpose of the VEAP program in part "to promote and assist the all-volunteer military program of the United States by attracting qualified men and women to serve in the armed forces" [Ref. 19:343]. As adopted, VEAP provides educational assistance to all members of the armed forces first entering military service on or after 1 January 1977. The GI Bill continues to apply to all personnel first entering the service before that date. Unlike the

preexisting GI Bill which applied to all qualifying veterans, VEAP is a contributory entitlement program, with the service member's contribution as a condition for entitlement.

Service members who are eligible for benefits under VEAP may voluntarily contribute from \$25 to \$100 per month toward their post-service education fund. After completion of the initial tour of obligated service or six years in the active forces (whichever is less), the DOD matches the service member's contribution on a 2-for-1 basis if the individual enrolls in an approved education program [Ref. 1]. The maximum contribution by service members is \$2,700 which, matched with \$5,400 of government funds, provides a total of \$8,100 for the veteran's educational expenses. Public Law 96-466 authorized individual service members to make lump-sum contributions to VEAP, as long as the total contribution does not exceed the \$2,700 maximum [Ref. 1].

Under VEAP, a service member earns benefits at the rate of one month of educational assistance for each month of contributions, up to a total of 36 months of benefits. For a member who makes a lump sum contribution, the number of months of benefits payable are computed by assuming the contribution was made in monthly installments of \$75 each [Ref. 19:343]. The amount of benefit depends on the total of the contributions made by the member. For a member making the maximum contribution of \$2,700 over a 36 month period, the monthly VEAP benefit, payable over 36 months, is \$225.

The Secretary of Defense is authorized to provide additional VEAP benefits called "Kickers" as a recruiting or retention incentive. These "Kickers," authorized only for the Army at this time, offer up to \$12,000 for three and four year enlistments into critical skills [Ref. 1:1]. This \$12,000 plus the basic \$8,100 contributory VEAP offers a \$20,100 education fund to qualifying Army personnel. More about the Army's "Kicker" program is explained later in this chapter.

In May 1981, the VEAP program was extended indefinitely, as provided for in Public Law 94-502. At that time, funding responsibility for the program shifted from the VA to the DOD [Ref. 1:1]. Program administration responsibility still rests with the VA.

In contrast to earlier GI Bill programs, the amount of the benefit does not vary with the number of dependents [Ref. 19:343]. Benefits, like the earlier programs, are payable to service persons on active duty.

C. EDUCATIONAL ASSISTANCE TEST PROGRAMS

The Department of Defense Authorization Act of 1981, Public Law No. 96-342, established an educational assistance test program. This legislation responded to Congress' increasing concern about attracting and retaining quality recruits for the armed forces [Ref. 19:345]. The act established an educational assistance test program in an effort to determine the effectiveness of offering educational benefits as incentives to

recruitment of enlisted personnel. Essentially, the test program consisted of the ULTRA VEAP program, a tuition/stipend program, a loan repayment program, and a noncontributory VEAP program.

1. ULTRA VEAP

This program expanded an Army recruiting incentive "Kicker" program of \$2,000, \$4,000, and \$6,000 for two, three, and four year enlistments to "Kickers" of \$8,000 for two year enlistments and \$12,000 for three and four year enlistments [Ref. 1:1]. The increased "Kickers" program, titled ULTRA VEAP or the Army College Fund, is still authorized for the Army to recruit high-quality enlistees into critical need skill rates [Ref. 1:1].

2. Tuition/Stipend Program

This program offered tuition benefits and a living allowance (only to qualifying service separteers) in the maximum amount of \$15,600. Such benefits were available only to members enlisting or reenlisting for service on active duty after 30 September 1980, and before 1 October 1981. In order to take advantage of such benefits, a member must have completed at least 24 months of service obligation. At the first reenlistment point after the enlistment that established the member's entitlement, a reenlisting member had the option of either cashing in remaining benefits at 60% of their value or transferring the full value thereof to dependents. If the benefits were not cashed in, a member retained the right to use or

transfer them for ten years after separation from the service [Ref. 19:345].

3. Loan Repayment Program

This program authorized the DOD to repay certain student loans to service members enlisting or reenlisting in the armed forces after 30 September 1980, and before 1 October 1981. This period was extended in 1982 from 1 October 1982, to 1 October 1983 [Ref. 19:345]. Since this program is not in the strict sense a veteran's educational assistance program, this paper will forego an indepth discussion.

4. Non-Contributory VEAP

The non-contributory VEAP program mirrored the normal VEAP program described previously, except that the DOD paid the service member's contribution. Members eligible for this program include members enlisting or reenlisting in the armed forces after 30 September 1980, and before 1 October 1981. They also would have to meet the VEAP selection criteria promulgated by the Secretary of Defense and elect to participate in the program [Ref. 19:345].

D. RECENT PROPOSED LEGISLATION

A 1982 study by the CBO [Ref. 12:21] highlighted some of the more recent proposed changes to existing military and veterans' educational assistance programs. It reported that of the 38 bills introduced in the 96th Congress, half were

proposed improvements to the existing GI Bill. This program is currently available to approximately 64% of the active force of 1.3 million service members (as of January 1982), as well as most veterans. However, under existing legislation, as of 31 December 1989, the benefits under this program will expire for all veterans and service members. The remaining bills would either modify VEAP, strengthen other education benefits (such as in-service tuition aid), or replace VEAP with an entirely new educational assistance program.

The study [Ref. 12:22] additionally reported that the emphasis on educational assistance programs carried into the 97th Congress. The bills called for a return to non-contributory educational assistance programs in contrast to VEAP. The benefits available for active duty members would be tied to length of service with maximum entitlement (excluding supplemental payments) ranging from \$10,000 to \$20,000. Some of the bills offer a tuition reimbursement plan plus a monthly stipend. This program would be similar to the World War II GI Bill. Other bills propose supplemental benefits for service in selected skills deemed critical by the DOD. A majority of the bills would permit benefits to be transferred to dependents after a specified active duty period by the service member. Contributory benefit plans for dependents of career committed personnel are aspects of two of the bills. Only one of the bills⁴ indexes the future benefit amount to inflation.

⁴Hunter proposal H.R. 2399.

A recent article in Navy Times [Ref. 21:3] reported that a new "GI Bill" offered by Representative Montgomery has been included in the FY '85 Defense Authorization Bill. The Montgomery proposal would provide a basic benefit of \$300 a month for 36 months after three years of active service or after two years of active duty service and four years in the Selected Reserves.

A discretionary "kicker" up to \$400 a month would be provided on top of the basic benefit for critical skill areas. Supplemental benefits of \$300 a month would be available after eight years of active duty service or after four years of active duty service and eight years in the Selected Reserves. An additional "kicker" up to \$300 would be provided under this supplemental plan for those in critical skills.

The Montgomery plan includes a transferability provision so that members could transfer benefits to a spouse or child after ten years of active service.

III. ANALYSIS

This chapter provides an evaluation and analysis of the accounting for veterans' educational assistance benefits. Federal government policy is first reviewed to provide a statutory basis for agency accounting requirements. Next, current accounting practices are discussed to establish a basis for evaluating the present financial management policies of veterans' educational benefits. The concept of accrual accounting is then discussed as an alternative method for costing the educational benefits. A section is also included that considers other program costs to account for when performing analysis of veterans' educational benefits. The last section of this chapter includes a discussion on the value of accrual accounting for decision makers. For a more detailed review of federal government accounting, Appendix B is included for reference.

The discussions of agency accounting in this paper emphasize the method used by the VA. The VA serves as the administrator for the VEAP as well as GI Bill educational benefit programs. The DOD does serve as a funding source for the federal government's portion of the VEAP programs [Ref. 1].

A. FEDERAL GOVERNMENT ACCOUNTING POLICY

U.S. Code Title 31 requires executive agencies such as the VA and DOD to maintain systems of accounting and internal control that conform to the principles, standards, and related

requirements prescribed by the Comptroller General [Ref. 4:2]. Title 31 additionally prescribes accrual accounting as the accounting basis for federal agencies and requires agency accounting systems to be approved by the Comptroller General [Ref. 4:2,8].

On 18 April 1983, the Comptroller General modified the approval process to formally approve only complete accounting systems [Ref. 4:2]. The GAO staff will review the accounting system's documentation and operation to see if the system conforms to the accounting principles and standards prescribed in the GAO's Accounting Principles and Standards for Federal Agencies, more commonly known as Title 2 [Ref. 4:2].

A recent update (GAO staff draft of 27 October 1983) of Title 2 revised the document to more closely reflect current generally accepted accounting principles in the private sector and recent advances in accounting theory and practice. For example, the revised Title 2 contains an extensive section on accounting for capital leases based on recent advances in private sector accounting [Ref. 4:67]. The methods of accounting for pension plans and veteran's compensation are currently being developed and are not in the revised Title 2 [Ref. 4:73,77]. Changes in the manual's format and organization were designed to improve the usefulness of Title 2. The document is now organized by alphabetical subjects rather than by financial statement line items [Ref. 4:1].

B. ACCOUNTING FOR EDUCATIONAL ASSISTANCE BENEFITS

Presently the accounting basis for the VEAP and GI Bill educational benefits is the cash or pay-as-you-go method [Refs. 12;13]. This method accounts for the entitlements as the benefits are awarded and paid within the fiscal accounting cycle. The concept of accrued expenditures is employed by the VA to recognize the liability incurred for educational benefits awarded but not yet paid. This accruing of the benefits as expenditures includes those benefits awarded on a monthly basis during the fiscal year accounting cycle for which checks will be issued for educational assistance in the near future⁵. These awarded benefits are to veterans and service members who have already earned their entitlements and are now applying for or are enrolled in an educational assistance program. The accounting of accrued expenditures recognizes the liability for the awarded benefits to be paid during the fiscal accounting period.

The concept of accrued expenditure and accrued cost can be a confusing point when discussing accrual accounting. Accrued expenditures are charges incurred during a given accounting period that require the provision of funds [Ref. 11:112]. Specifically defined, accrued expenditures are:

⁵Near future - This can be construed to mean the month following the award period.

"charges to the expenditure account during a given period that reflect liabilities incurred and the need to pay for ... amounts becoming owed under programs for which no current service or performance is required (such as annuities, insurance claims, other benefit payments ...)." [Ref. 22]

The awarded benefit to a veteran for a specific month is an example of an accrued expenditure. The liability incurred is the benefit to be paid for the veteran's educational assistance. Current service or performance is not required since the benefit has been earned by prior military service.

Accrued costs⁶ are:

"the financial measures of resources consumed in accomplishing a specified purpose such as performing a service, carrying out an activity, or completing a unit of work or a specific project." [Ref. 11:113]

The accrued cost concept would recognize the earning of the educational benefit during the period of military service. The objective of accruing cost⁷ is to provide for an accounting of the resources required to support specified services or activities. Educational benefits (or for that matter any veteran's compensation plan) represent an accrued cost to the federal government today for a future award (accrued expenditure) and ultimate disbursement of benefits payments that may take place years in the future.

⁶Or just costs; implicit in the concept of cost is the accrual basis [Ref. 7].

⁷Cost in the federal government is synonymous with expense [Ref. 11:175]. The private sector terms cost as a measure of resources obtained or consumed for a specified purpose, whereas expense refers to resources that are consumed in operations during a specified time period [Ref. 9:8]. For example, the acquisition of capital equipment such as a building would be a cost. An expense is the annual depreciation allowance for that building.

Within the spectrum of accrued cost and accrued expenditures, two relevant costs apply to the educational assistance programs. The first cost to consider is the unfunded liability cost for personnel with vested⁸ entitlements. The GI Bill educational benefits do not apply to service personnel entering the military after 31 December 1976; and these benefits, under current legislation, expire 31 December 1989. Service members and veterans qualifying under the GI Bill have a vested entitlement in these educational benefits. This type of cost represents an unfunded liability under the accrual concept. At this stage in the life of the existing GI Bill, the unfunded liability may be of minor importance. Given that the expiration date is only 5½ years away, the expected value of that unfunded liability is decreasing daily. The monitoring of the unfunded liability may therefore be of marginal value. If, however, the existing GI Bill is extended or replaced by a new GI Bill, this unfunded liability would be of greater importance. Also, for periods of military service after 1 January 1977, and up to the point in time that accrual accounting is adopted, the unfunded liability for the VEAP is a german issue for those veterans with a vested benefit.

The second cost to consider that is excluded from accounting recognition under the present accrued expenditure concept

⁸Vest - an employee's right to receive a present or future benefit vests when the individual's right eventually to receive the benefit is no longer contingent on remaining in the service of the employer [Ref. 23].

benefits (VA Form-4). (The term "cost" is used in the Form-4 and the chart of accounts. Costs in these documents would be better termed as accrued expenditures.) These GI Bill accounts are distinguished from the other education and training accounts with "Chapter 34" of Title 38 U.S. Code which is the current GI Bill [Ref. 25:1]. In total, there are 74 separate costs (i.e., accrued expenditure) accounts presently classified under the readjustment appropriation, number 36X0137 [Ref. 24:M-1]. Appendix C includes a complete chart of accounts for the readjustment benefits appropriation.

The individual benefit accounts are subsidiary to general ledger accounts titled: benefit payments, benefit overpayments, benefit receivable writeoffs, benefit overpayments waived, and benefit payments accrued [Ref. 24:M-3-1-28].

The subsidiary accounts are closed to the general ledger accounts at the end of the fiscal year accounting cycle [Ref. 24:16-3]. The general ledger accounts are closed at the end of the fiscal year to the capital account. This account is the readjustment benefit appropriation and will show a net value resulting from the fiscal accounting cycle [Ref. 24:M-3-19]. If it is necessary to effect a prior year adjustment, it will be processed as a current year transaction and posted to the applicable general ledger accounts [Ref. 24:M-3-19].

The annual report (VA 1982) presents the appropriations, expenditures, and balances of readjustment benefits on the cash basis of accounting. The expenditures (or outlays) reflect the

actual cash disbursements for benefit payments during the fiscal year and an end of period reconciliation of accrued expenditures.

The VA publishes a monthly report titled FORM-4, Summary of Benefit Payments. It contains a complete list of the readjustment benefit accounts as separate line item entries with monthly and fiscal year-to-date dollar value transactions. At the end of the report the transactions are totaled and labeled "total cost." A credit value (titled current year change in receivables such as proceeds due from Treasury for the cancelation of an unavailable benefit check) reduces the "total cost" amount and retitles the new amount as accrued expenditures. This amount represents the readjustment benefits awarded this accounting period. The accrued expenditure amount is adjusted next for changes in undelivered orders (this represents awarded benefits that are applicable to a subsequent month's training allowance). This adjustment yields the last entity, obligations. Obligations represent the accounting entity that reserves appropriated funds for eventual cash disbursement. The Form represents the agency accounting method for ensuring that obligated funds do not exceed what has been lawfully appropriated. The Form uses the term "total cost" prior to the adjusting entries that reconcile the amount to obligations. "Total cost" here should be construed to mean accrued expenditures or benefits awarded based on statistical estimation techniques for the current accounting period. An

example of the VA's Form-4 report is included in Appendix C for further review.

The VA also uses a work measurement system for staffing requirements and program evaluation. This system is broken down in units of education end products. Education end products are defined by the type of activity they serve. For example, EP 200: "original education," includes application processing and original award/disallowance action. Man hours are compiled for the 58 VA regional offices. The hours are compared to a standard man-hour figure and a work-rate efficiency variance is computed. Based on workload for each education end product, projections are made for future requirements using estimated veteran participation statistics [Ref. 26]. Appendix D contains a complete list of education end products and an example of the VA's 1983 western region report.

The VA's 1982 annual report mentioned new software and improvements to their existing "Target" computer benefit processing system. In addition, a complete accounting system designed to meet GAO accounting standards was installed. Documentation for the system has been submitted to GAO for approval as a certified automated accounting system [Ref. 13]. At the writing of this paper, GAO has not certified the VA's accounting system [Ref. 27]. However, as previously noted the new standard of accounting for veterans' entitlements is "currently under development" by the GAO.

2. DOD

In January 1982, financial responsibility for VEAP shifted from the VA to the DOD. Originally, the DOD financed only the "kicker" benefits added to certain service member accounts. DOD now finances both the 2-for-1 matching as well as the "kicker" benefits for eligible service members or veterans. The VA retains administrative responsibility for the program [Ref. 1;12].

In the VEAP, DOD's 2-for-1 matching of service member contributions does not occur until service members use their entitlements [Ref. 12]. Thus there are no accruals of DOD's contribution to the fund's benefits for future outlays earned by current service members. Accrual accounting would recognize DOD's portion of the VEAP contributory program as a current employment cost of military compensation for participating service members. Since not all participating service members use their entitlements and may, for example, withdraw their contributions, the accounting method should adjust the DOD contribution rather than use a straight 2-for-1 relationship. This aspect is discussed more thoroughly in a subsequent section.

C. EVALUATION OF EXISTING ACCOUNTING METHODS

In addition to conformity with the GAO accounting principles, federal agency accounting systems must be designed to:

1. demonstrate compliance with applicable laws;
2. provide information needed by the Congress (including congressional committees), Treasury, and Office of Management and Budget (OMB); and
3. provide information required by agency managers to operate their programs efficiently and effectively [Ref. 4:2].

The above criteria are discussed in this section as they apply to this study.

1. Compliance with Law

Accounting for obligations (VA's Form-4 report) relates to the agency's legal responsibility to manage Congressional appropriations and comply with the legal prohibitions against the over-obligation and over-expenditure of appropriated funds [Ref. 8:99]. Obligational data does provide relevant information over the control of funds and does meet external reporting needs, particularly from the OMB and Congress [Ref. 8:99].

Accrual accounting is the prescribed basis of accounting for federal agencies [Ref. 4:8]. The present method used to account for veterans' education programs is the cash basis. Accrual expenditure accounts are established but these are not representative of cost under the accrual concept. It should be noted that the current standard for the accrual accounting of educational benefits is under development.

2. Provide Relevant Information

Accounting for obligations (VA Form-4 report) provides relevant information over the control of appropriated funds, but should not be construed as a method of costing an agency's performance. Obligations are not satisfactory measures of performance because they are incurred well in advance of resource use [Ref. 8:75]. The production and reporting of significant cost information are essential ingredients of effective financial management. Information must be available to agency management, Treasury, OMB, and Congress for devising and approving realistic financial plans, making reasonable comparisons, and controlling costs within limits established by laws [Ref. 11:94].

Veterans' educational entitlements represent deferred benefits in much the same way as retirement benefits do [Ref. 12:xxii]. By not accounting for the earned or accrued governmental liability of today's service personnel educational benefits in the budget and program accounting systems, costs are partially hidden by deferring them to a future appropriation and obligation.

An accounting system designed for the cash basis of accounting does not provide for the recognition of timing differences occurring between the cost of an event and the disbursement of cash [Ref. 11:116]. For example, when today's cost of the government's share of the VEAP are deferred to the actual period of cash disbursement, the accrual concept of cost recognition in the current time period is violated.

Financial statements published on the cash basis of accounting [Ref. 13] typically understate the liabilities of an agency and never reflect the actual cost of program activity [Ref. 11:116]. The cost of today's earned educational entitlement is a valid cost that should be accounted for in today's accounting records. It represents a deferred compensation earned for present employment. If this cost is omitted from financial statements, the cost of program activity will be continually understated.

D. ACCRUAL ACCOUNTING FOR EDUCATIONAL ASSISTANCE ENTITLEMENTS

The accrual basis of accounting as applied to education entitlements would allocate⁹ costs to the period of military service that earns the benefits and not the period of actual educational assistance award and disbursement.

GAO's specific method of accounting for veterans' compensation costs is currently under development [Ref. 4]. GAO does mention in its latest version of Title 2 that the standard will be based on actuarial computations¹⁰ [Ref. 4].

The CBO, sponsoring a comparative study of educational benefit programs, suggested an accrual cost accounting (budgeting) approach for the benefits.

⁹Allocate - allocation is the assignment of costs of inputs to the program directly to the cost or program objectives [Ref. 10].

¹⁰Actuarial computation - computations using present values, mortality rates, withdrawal probabilities, and other factors [Ref. 23:139].

"Because educational benefits represent a deferred benefit just as retirement benefits do, the full cost of any program would not appear in the budget until many years in the future under the current pay-as-you-go system of accounting. For instance, assuming implementation in fiscal year 1983, none of the educational benefit options described in this report would incur costs until fiscal year 1985, or approach maximum outlays until at least ten years later. This offers a temptation to disregard costs during the decision-making process."

"An accrual budgeting approach, on the other hand, would establish a funding mechanism that explicitly recognized in the current budget the liability incurred for future expenditures in education benefits by today's military personnel. While no costs would be incurred in fiscal year 1983 on a pay-as-you-go basis, the charge to DOD under an accrual accounting system would approximate \$120 million for Option I [contributory VEAP]. This fiscal year 1983 charge amounts to a lump-sum payment based upon the number of recruits enlisted and their eligibility for supplemental or kicker payments." [Ref. 12]

The \$120 million figure did not include any unfunded liability resulting from initially permitting all service members (not just new recruits) to vest in the program [Ref. 12].

The Financial Accounting Standards Boards (FASB) recently addressed the issue (No. 21); "Are there other types of post-employment benefit plans for which the cost of the benefit should be accrued during the service lives of employees who are expected to receive the benefits [Ref. 28:62]?" Board members who recognized that this was an issue, offered criteria to decide if the benefit should be accrued. The applicability of accrual accounting to post-employment benefit plans (other than retirement, health care, and life insurance) should depend upon the materiality of the benefit, the probability of payment and on the nature and characteristics of the plan rather than

on the particular type of benefit promised. Characteristics that might suggest that accrual accounting is appropriate for a particular type of plan include the following:

1. Benefits provided under the plan are, in substance, a form of deferred compensation.
2. The measurement of the benefit is subject to reasonable estimation based on available evidence and current expectations [Ref. 28:62].

The research for this paper did not disclose a method currently used to account for the cost of earned educational benefits under the accrual concept. However, pension/retirement cost models based on actuarial assumptions present a similar scenario for veterans' compensation applications. Both retirement and veteran educational benefits are future entitlements earned for present service. Accounting for their costs should take place during the period of employment while the service member is earning the benefit. Also, the VA's Office of Reports and Statistics provides usage rate information for veterans' educational programs. This information would be useful to an actuary to assist in actuarial computations.

Actuarial cost methods were designed primarily as funding techniques; however, the methods may also be used for determining pension costs for accrual basis accounting [Ref. 23]. Veterans' educational assistance benefits, because of their similarities to retirement benefits as vested entitlements, can be accounted for by actuarial accounting methods.

Smith [Ref. 29] maintains that selection of the appropriate actuarial cost method and implementation of the method is the proper function of the actuary because only the actuary has the expertise and professional judgment necessary to make the decision.

This study does not explore comparative methods of actuarial techniques and models for educational assistance cost allocation. What is suggested in the following paragraphs are considerations for inputs to the model based on methods outlined in Hicks [Ref. 23] and a recent military retirement system application for pension accounting by Waterman [Ref. 30].

A brief review of how the education assistance benefits are earned is discussed first. Since the current GI Bill benefits expire in 1989 and apply only to veterans (and service personnel) with qualifying service prior to 1977, it is not discussed as a benefit being currently earned by today's service members.

Under the basic VEAP program DOD funds match a service member's contribution at the rate of \$2 for every \$1 the military member contributes. The service member may elect to deposit \$25-\$100 per month in a trust fund¹¹ to accumulate to a maximum contribution of \$2,700. At the end of the first enlistment and if the veteran enrolls in a qualifying educational institution, DOD will match the individual contributions

¹¹ Trust fund - a trust fund created by the federal government to carry out specific purposes and programs according to the terms of a trust agreement or a statute [Ref. 22].

3. Probability values that would adjust the amount of educational cost to allocate in a given period. The probability values would be based on veteran use rates of the benefit, survivability, and withdrawal or "cash out"¹² from the education assistance program.
4. Actuarial gains and losses must be considered in determining the correct portion of the cost of future benefits to be assigned in the current year. Actuarial gains and losses would be the variations between actual actuarial assumptions used in calculating educational assistance costs and the actual results of experience [Refs. 30;31].

The VA's Office of Reports and Statistics provide usage rate statistics used for planning, budgeting, and program evaluation of veterans' educational assistance programs. In a recent report [Ref. 25:5] other variables were listed that would affect utilization rates. These include:

1. Educational attainment prior to enrollment in program
2. Number of dependents
3. Years between separation and initial entry into training
4. Age, race, sex
5. Residence
6. Economic status

¹² Note only the service member's contributions are refunded. Additionally, interest is not paid on the trust fund contributions [Ref. 12].

The above factor of dependents would enter into the transferability issue of VEAP programs. Transferability, in the context of educational benefits, means that the service member elects to remain on active duty and transfer the educational benefit package to dependents. The present VEAP as offered does not include transferability of benefits [Ref. 12]. However, the most recent educational assistance program proposed in Congress included this transfer capability [Ref. 21]. The existence of dependents and an educational assistance program with transferability would affect a service member's decision to participate in an education program. This participation affects the utilization rate of the program as a whole.

The actuarial cost model would provide a quantitative basis from which to allocate the government's share of VEAP benefits. This allocation of costs in the period of employment for entitlement type of benefits is the accrual cost concept.

The additional issue of unfunded liability or costing education benefits for services already rendered would affect the GI Bill and VEAP accounts for those veterans with a vested benefit. That is, their benefits have been earned, not awarded or paid for yet, and represent future cash disbursements. The unfunded cost of retirement plans can be amortized in equal annual amounts (including interest) over a period of at least 15 years, but not more than 40 years [Ref. 31]. As previously mentioned, since the GI Bill educational benefit plan terminates in 1989 the establishment of a method to account for unfunded

liability is of marginal value unless the Bill is extended. However, the past service cost of the VEAP program participants does represent a cost that could be amortized. The annually amortized amount would gradually reduce the unfunded liability for past service over a period of years.

E. PROGRAM COSTS

Preceding this section, this chapter has limited the cost analysis discussion to an accounting method for educational entitlements. Educational entitlements represent one of the costs to account for when performing analysis of veterans' educational assistance programs such as the GI Bill and VEAP.

This section discusses other costs, direct and indirect, to consider when accounting for the GI Bill and VEAP. This discussion is not meant to be an all-encompassing labeling of total program costs. Limitations in the availability and existence of cost information constrained the identification of all relevant costs. What is discussed in this section are other cost considerations when accounting for veterans' educational assistance programs. Before discussing the subject of other costs, a structure for accumulating costs in programs is provided as a basis for allocating relevant cost to educational assistance programs.

Anthony and Hertzlinger [Ref. 9:7] describe the responsibility and program structures as the two principal account structures in a management control system. The responsibility

center structure in a non-profit organization records cost incurred as an organizational unit. If the output of the management control system is measured in non-monetary value, the organizational unit can be termed an expense center [Ref. 9:8].

The program structure is arranged such that costs are collected in program accounts that relate to specific cost or program objectives. There is a direct correspondence between responsibility structure and program structure when only one program is administered by one expense center [Ref. 9:9]. A lack of direct correspondence between program and expense center means there are other programs that are administered by the responsibility structure. For example, a regional office of the VA would be an expense center that administers many different veterans' compensation programs. In this case, there is not a direct correspondence between the responsibility structure (expense center) and the program structure (GI Bill for example) because of the number of different veterans' compensation programs administered in addition to the GI Bill and VEAP. The importance of this correspondence is that if the expense center administered only one program, then all costs are incurred in support of that one program and the responsibility structure matches the program structure. However, as in the case of the VA there are many different programs administered by the regional offices and the various programs are subsets of the responsibility structure. Responsibility

structure costs are incurred in support of different programs and there is not a 1-to-1 relationship for a matching of all costs to program objectives. This lack of direct correspondence necessitates the allocation of shared costs or indirect costs that are incurred to support various veterans' compensation programs. Since the focus of this paper is on the educational assistance programs administered by the VA, the program structure is discussed rather than the responsibility center as an organizational unit.

1. Direct Program Costs

Direct costs include those costs traceable to a single program or cost objective [Ref. 9:11]. The spectrum for the purposes of this discussion include the GI Bill and VEAP programs. The most direct costs to associate with these programs are the entitlements earned for military service. Other direct costs to account for are the vested benefits of service members who have already earned their entitlements. The actuarial techniques discussed in the preceeding sections would allocate the appropriate amount of entitlement, either vested benefit or entitlements as they are earned, to the specific program (GI Bill or VEAP). It should be noted that since the DOD provides the government's share of the VEAP funding¹³, the allocation of direct cost for accountability

¹³"Kickers" and the \$2 under the \$2-for-\$1 concept.

purposes should be reflected in the program accounts of DOD as a current cost of military compensation.

2. Indirect Program Costs

Indirect costs include those costs that are shared between two or more cost objectives [Ref. 9:11]. Allocation techniques are required that apportion appropriate shares of indirect cost to individual programs. The general principle is that each cost or program objective is charged with indirect costs in proportion to the amount that is caused. Horngren [Ref. 32:398] describes several guidelines to obtain cost allocations that reflect underlying causal relationships as closely as possible. They are:

1. To the extent that physical relationships are observable, use them.
2. To the extent that relationships can be implicitly established via logic and knowledge of operations, use them - preferably in conjunction with 3.
3. To the extent that relationships can be explicitly established via regression analysis, use them.
The use of 3 is a check on 2.
4. To the extent that an allocation base is not logically or empirically defensible, either do not allocate or allocate via preestablished agreement. When such allocations are made, all interested parties should understand their arbitrary nature.

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An example of a specific cost allocation base for an indirect cost would be by square footage of building occupancy [Refs. 9:11;33:246]. If utility costs of a VA regional office are \$100,000, and if 25% of the space in the building is used by personnel handling the GI Bill cost objective, \$25,000 of the occupancy cost would be allocated to that cost objective. However, as previously mentioned, there are numerous veterans' compensation programs that are administered by VA offices and difficulty exists in segregating the various program/cost objectives by building occupancy. Other examples of indirect costs that are applicable to veterans' educational programs are: employees salaries/fringe benefits, capital equipment acquisitions, rents/leases, depreciation (expenses), and general/administrative overhead costs. Since these costs are incurred in support of various compensation programs, the direct correspondence of cost to objective does not exist and an allocation base is required. One possible technique called pooling [Ref. 33:410], aggregates all similar indirect costs and then allocates them to individual cost objectives on a common base. That is, instead of taking detailed costs, one at a time, and using different bases, the common sets of costs are lumped together and one allocation base is used to apportion the indirect costs to the various cost objectives.

All costs which are not allocable according to Horngren's first three criteria are called "residual costs" or "residual expenses". The typical treatment of residual costs is not to

allocate at all. If allocation is desired, then an allocation basis acceptable to all parties involved must be found. The fact remains, however, that the allocation is arbitrary.

The choice of an appropriate base (or multiple bases) for allocation of indirect costs exceeds the scope of this study. Additional cost information and comparisons of cause-and-effect relationships are required for a qualified analysis and opinion.

Two specific indirect costs were identified from interviews with VA personnel. There is a \$7 to \$11 payment per student per year to the educational institution where the veteran or service member is enrolled. This payment serves as a means for providing the school a reporting allowance for processing VA forms. Also, there is a (approximately) \$12 million per year payout to state approved agencies to periodically review the educational programs of the VA approved institutions [Ref. 26]. In fiscal year 1982, the VA negotiated contracts with state approving agencies at a cost to the agency of about \$13.2 million [Ref. 13:77].

F. ACCRUAL ACCOUNTING FOR THE DECISION MAKER

Educational benefits represent a portion of the military compensation package that accounts for the cost of today's service member. Unlike salary, educational entitlements represent deferred compensation paid for with a future cash disbursement. However, like salary, the compensation is

earned for current periods of service. Accrual accounting recognizes this cost in the period the entitlement is earned.

Accounting for this cost as a current employment cost gives the decision maker a realistic perspective of what this compensation is actually costing today's taxpayers. Including this accrued cost of educational benefits as a direct cost of the veterans' educational service programs gives the decision maker a more realistic evaluation of the program's full cost. This information is useful in program management and can provide a framework from which to evaluate alternative education programs.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

This chapter provides a discussion of the conclusions and recommendations of this study. The purpose of this paper is to provide background information on veteran's educational assistance, the methods used to account for educational benefits, and to present accrual accounting as an alternative to account for the cost of the entitlements. Additionally, it is argued that the accrual cost concept gives the decision maker a more accurate assessment of educational entitlement costs.

The veterans' educational assistance programs emphasized in this paper are the GI Bill and VEAP. The current method used to account for the benefit payments is the cash basis. Accrual expenditure accounts are maintained for the fiscal year accounting cycle to show benefits awarded but for which the checks are yet to be issued. The current accounting method does not recognize the cost of current service members' earned educational entitlements or the cost of the unfunded liability of vested benefits. This cash accounting method also understates the current costs of service members' compensation by deferring accounting recognition of earned educational entitlements to the period in which checks are issued.

Pension accounting based on actuarial assumptions provides an accrued accounting basis adaptable to veterans' educational

benefits. Inputs to an actuarial cost model were proposed that would provide a quantitative basis from which to allocate earned educational benefits as a current employment cost. Pension accounting amortization techniques are suggested as a method to account for the unfunded liability of the vested benefits.

In discussing fringe benefit costs, Anthony and Hertzlinger [Ref. 9:196] recognized what was termed a "criterion of generational equity" associated with a failure to record costs in the year in which they are incurred. The criterion of generation equity suggests that the generations that receive the service should pay for them; the burden should not be fostered off onto future generations [Ref. 9:196]. However, it should be noted that the accrual of costs and the actual funding for educational entitlements are separate issues. The accounting recognition of the costs incurred does not require actual funding or dollar outlays from the Treasury. The accrual of an educational entitlement is a bookkeeping entry that reflects a proper match of accounting entities under the double-entry accounting system.

Veteran's educational assistance represents a fringe benefit that is earned for current service. The use of the educational benefit does not occur until some time, perhaps years, in the future. Deferring the accounting recognition of educational assistance costs to the award/check disbursement period understates the costs of military compensation. It also should be noted that present cash accounting policies in the federal

government are not unique to veterans' compensation programs such as the GI Bill and VEAP. The Social Security retirement program represents another deferred compensation plan that does not use the accrual concept.

B. RECOMMENDATIONS

The following recommendations are made:

Recommendation One: Accrual basis accounting should be adopted for recognizing the cost of veterans' educational assistance benefits. This accounting basis would enable the decision maker to assess total current year's cost of educational entitlements as a portion of military compensation.

Recommendation Two: The development of an actuarial cost model for allocating educational benefits should be the subject for further study. This further study should also evaluate GAO's recommended standard for costing veterans' benefits when it becomes available.

APPENDIX A

GI BILL EDUCATIONAL ASSISTANCE

In addition to the institutional educational assistance described in Chapter II, there are other forms of educational benefits available to qualifying veterans under the existing GI Bill. This appendix discusses these other GI Bill educational/training benefits. This information was extracted from the Veterans Administration booklet, Federal Benefits for Veterans and Dependents, IS-1 Fact Sheet of 1 January 1984.

"ENTITLEMENT AND DURATION OF ELIGIBILITY"

"Each eligible person (who entered service before January 1, 1977 or, in some cases, after that date under the Delayed Entry Program or a similar program) will be entitled to educational assistance for a period of $1\frac{1}{2}$ months (or the equivalent in part-time training) for each or fraction thereof of service on active duty after January 31, 1955, up to 45 months. If he or she served 18 continuous months or more after January 31, 1955, and starting before January 1, 1977, and has been released under conditions satisfying the active duty obligation, he or she will be entitled to 45 months."

"Also entitled to 45 months are those persons who, pursuant to a contract with the Armed Forces (entered into prior to January 1, 1977) serve 18 continuous months or more of active duty service (the beginning date of which service occurs between January 1, 1977, and January 1, 1978) and who are discharged or released from such active duty under conditions other than dishonorable."

"TIME LIMITS"

"Veterans (who entered service before January 1, 1977, or in some cases after that date in the Delayed Entry Program or similar program) who are released from active duty after June 1, 1966, have eligibility for 10 years after their last

discharge or release but not later than December 31, 1989, whichever is earlier."

"Veterans who were prevented from beginning or completing their chosen program of education because of a physical or mental disability not the result of their own willful misconduct may receive an extension."

"The period for eligible Vietnam War veterans, with unused entitlement, may be extended for up to three years to pursue apprenticeship or other on-job training or a program with a vocational objective. An associate degree program which is predominantly vocational in content may be considered for this purpose to be a course with an approved vocational objective if such a degree program meets the requirement for approval. The period of time during which an eligible veteran may use this extension ends on December 31, 1984. The eligible veteran's application for this extension will be granted unless the VA determines that the veteran does not need such a program to obtain a reasonably stable employment situation that fits his or her abilities and aptitudes. VA's determination will be based on the veteran's employment and training history. (The eligible veteran may also enroll in a secondary education program.) Following completion of training, the VA will provide employment counseling to assist individuals to obtain appropriate employment."

"COOPERATIVE PROGRAM"

"This program combines formalized education with training in a business or industrial establishment with emphasis on the institutional portion. (Note, these benefits are included in Table I.)"

"FARM COOPERATIVE TRAINING"

"An eligible veteran enrolled in an educational institution for a "farm cooperative" program consisting of institutional agricultural courses must be concurrently engaged in full-time agricultural employment related to the approved institutional course. The veteran may receive benefits for a full 12 months when instruction for the year is prescheduled for 44 weeks of the year. (Current rates of assistance are listed in Table II.)"

TABLE II

FARM COOPERATIVE

Column I	Column II	Column III	Column IV	Column V
	NO	ONE	TWO	MORE THAN TWO
BASIS	DEPENDENTS	DEPENDENTS	DEPENDENTS	DEPENDENTS
				The amount in column IV, plus the following for each dependent in excess of two:
Full-time	\$276	\$323	\$367	\$21
Three-quarter-time	207	242	275	16
Half-time	138	162	184	11

"APPRENTICESHIP OR OTHER ON-JOB TRAINING"

"An eligible veteran may pursue, on a full-time basis only, an approved program of apprenticeship or other training on-the-job."

"The entrance wages shall be at least one-half of the wages paid for the specific job and shall be increased on a regular schedule until the veteran is receiving 85 percent of the wages for that job by at least the last full month of the training period which cannot exceed 2 years. These limitations do not apply to apprenticeships. (Current rates of assistance are listed in Table III.)

"CORRESPONDENCE TRAINING"

"Correspondence courses are home study courses that are taken through the mail. Eligible veterans are reimbursed at the rate of 55 percent of the cost of the course."

"HIGH SCHOOL TRAINING"

"A veteran who must complete high school training or pass the GED examination to qualify for higher education may receive educational assistance allowance without a charge against basic entitlement. Additional secondary school training such as refresher courses or deficiency courses are permitted if needed to qualify for admission to an appropriate educational institution."

"ELEMENTARY EDUCATION"

"Veterans not completing the eighth grade may receive educational assistance allowance without a charge against basic entitlement."

"TUTORIAL ASSISTANCE"

"Veterans or service personnel in post-secondary (above high school) training at educational institutions on a half-time or more basis who need tutorial assistance may qualify for tutorial payments not to exceed \$76 a month for a maximum amount of \$911 with no charge against basic entitlement."

TABLE III

APPRENTICESHIP OJT

Column I	Column II	Column III	Column IV	Column V
PERIODS OF TRAINING	NO DEPENDENTS	ONE DEPENDENTS	TWO DEPENDENTS	MORE THAN TWO DEPENDENTS
				The amount in column IV, plus the following for each dependent in excess of two:
First 6 months	\$249	\$279	\$305	\$13
Second 6 months	186	217	243	13
Third 6 months	124	155	180	13
Fourth and any succeeding 6-month periods	62	92	119	13

APPENDIX B

FEDERAL GOVERNMENT ACCOUNTING

This appendix supplements the accounting analysis in Chapter III. The legislative basis and authority for government accounting are discussed first. Next, the responsibilities of the various federal agencies tasked with accounting related duties are outlined as an aid to understanding the federal accounting hierarchy. Examples of a federal agency's accounting process and cost based budgeting plan are included to show the relationships between the various accounting entities. Lastly, a glossary of terms applicable to this paper is included for reference.

AUTHORITY

The Constitution forms the basis for which the Congress provides for federal revenues, authorizes lawful appropriations and requires an accounting system of public expenditures. Historically, Congress has provided for the general requirements of fiscal responsibility through legislation. These laws direct the manner in which federal agencies receive, spend, account, and report on the status of federal appropriations [Ref. 8:18].

One of the most important and closely monitored of all laws pertaining to federal financial management is the Anti-deficiency Act. The original act dates back to 1870 [Ref. 11:20].

Subsequent amendments have increased fiscal restrictions and responsibilities. Essentially the law, better known as "Section 3679," requires the apportionment of appropriations by the Office of Management and Budget (OMB), limits obligations and expenditures to amounts appropriated, and requires specific administrative controls to be implemented by appropriations managers [Ref. 11:21].

The Budget and Accounting Act of 1921 established a national budget system, the Bureau of the Budget (now OMB), and the General Accounting Office (GAO) [Ref. 8:19]. The Budget and Accounting Procedures Act of 1950 further refined the areas of budgeting and accounting in the federal government. It authorized the preparation of performance based budgets requiring agency financial information to be displayed in terms of function and activities. Agencies were directed to achieve:

1. consistency in accounting and budget classification;
2. synchronization between accounting and budget classification and organizational structures; and
3. support of budget justifications by information on performance and program costs by organizational units.

The Comptroller General as head of the GAO was required to prescribe the principles, standards, and related accounting requirements to be observed by each agency. Agency heads in turn were responsible for maintaining systems of accounting and internal controls. Public Law 84-863 of 1956 amended the

accounting acts of 1921 and 1950. This action required agencies to maintain the accounts on an accrual basis to show the resources, liabilities, and agency costs of operation. The accounting standards prescribed by the Comptroller General would facilitate the preparation of cost based budgets. Cost based budgets would show the obligational authority necessary to support the current year activities [Ref. 8:23].

One of the more recent laws, the Financial Managers Integrity Act of 1981, requires that agency heads attest that year-end appropriation reports have been derived from accounting systems consistent with the GAO standards [Ref. 34].

AGENCY RESPONSIBILITY

Through previously reviewed legislation, Congressional directions, and presidential delegation, the responsibility for prescribing federal financial management policies and practices have historically centered in four agencies: the GAO, the OMB, the Treasury Department, and the General Services Administration (GSA) [Ref. 8:5].

The GAO is in the legislative branch of the federal government and its accounting related responsibilities include:

1. Prescribing accounting principles and standards. The principle guidance is set forth in GAO's Policy and Procedures; GAO Manual for Guidance.
2. Assisting in the development and improvement of agency accounting systems.

3. Previewing and approving (certifying) agency accounting systems.
4. Examining and reporting on accounting systems.
5. Prescribing and guidance relating to the retention of accounting records and documents [Ref. 11:27].

In 1970, the Bureau of the Budget was reorganized, reformed, and renamed as the Office of Management and Budget (Reorganization Plan 2 of 1970). The OMB is an agency of the executive branch of government and its significant accounting related responsibilities include:

1. Developing and improving the government's budget control and review systems.
2. Developing government wide information systems policy and overseeing of the executive branch's Automatic Data Processing (ADP).
3. Planning and improving a continuous program for improving accounting and financial reporting in the government.
4. Making improvements in governmental budgeting and accounting methods/procedures.
5. Establishing a system of apportionments of appropriations to monitor expenditures of federal monies [Ref. 11:28].

OMB publishes financial management policy to the federal government through a series of circulars and bulletins. OMB

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circulars A-11 and A-34 provide instructions for agency budget estimate submission and budget execution, respectively.

The Treasury Department, also in the executive branch of federal government, has accounting responsibilities that include:

1. Maintaining the central accounts of the government.
2. Collecting and recording government receipts.
3. Making disbursements of properly authorized federal funds.
4. Prescribing reporting requirements for receipts, disbursements, and appropriation balances.
5. Providing instructions to agencies for central accounting and reporting [Ref. 11:29].

Permanent guidance is set for in the Treasury Department's Fiscal Requirements Manual for the Guidance of Departments and Agencies.

The GSA, formed in 1949 by the Federal Property and Administrative Act, exercises government-wide responsibility relating to assets, property management, and procurement of these resources. Accounting-related responsibilities as they affect the properties of a federal agency are:

1. Plan the acquisition, custody, and leasing of spaces, facilities, buildings, furnishings, and equipment.
2. Inventory management, including agency supply operations.
3. Management, operation, and utilization of federal data processing centers providing services to other departments and agencies.

4. Promotion and coordination of purchase, lease, maintenance, operations, and utilization of computers and related equipment [Ref. 11:348].

GSA requires agency accounting records to show the acquisition, use, application, and consumption or ultimate disposal of all property. GAO further requires that the consumption should be accounted for over the property's useful life through depreciation/accounting techniques [Ref. 4].

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the GAO, OMB, the Department of the Treasury, and the Office of Personnel Management. Initiated in 1948, the program was given statutory authorization in the Budget and Accounting Procedures Act of 1950 [Ref. 35].

The overall objective of JFMIP is to improve and coordinate financial management policies and practices throughout the government so that they will contribute significantly to the effective and efficient planning and operation of governmental programs. Activities aimed at achieving this objective include:

1. Reviewing and coordinating central agencies' activities and policy promulgations to avoid possible conflict, inconsistency, duplication and confusion.

2. Acting as a clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
3. Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.
4. Undertaking special projects of a government-wide nature to resolve specific problems.
5. Providing advisory services in dealing with specific financial management problems. [Ref. 35]

APPROPRIATIONS ACCOUNTING

As an appropriation passes through the various states in the federal fiscal process, several organizations are tasked with the responsibilities of its financial management. The following is an example of the appropriation sequence:

1. The Congress appropriates funds through legislation.
2. The Treasury Department issues a warrant granting an agency the authority to withdraw funds for disbursement.
3. The OMB apportions the appropriated funds to each agency.
4. The head of an agency allots funds to other agency officials.
5. The agency's program officials obligate funds, incur expenditures, and monitor the validity of funds to be disbursed.

6. The agency's fiscal officer certifies to the availability of funds to be disbursed.
7. The Treasury Department makes the cash disbursements that settle federal obligations and debts. [Ref. 8:63]

An overview of a federal agency's accounting process is included in Figure 1.

Accrued costs and cost based budgets are the best way to ensure that all resources are considered in planning cost [Ref. 8:99]. Obligational accounting for appropriations is required to meet external reporting needs and requests for data, particularly from the OMB and the Congress [Ref. 8:99]. Therefore, when accounting for a program on a cost basis, agencies need to reconcile their costs to appropriations, obligations, and accrued expenditures. Figure 2 illustrates the relationship of the cost basis and cost budget to obligations.

FEDERAL AGENCY ACCOUNTING PROCESS				Pro Forma Entries	
Appropriation Process	Organization	Formal Documents	General Account	DR	CR
Appropriation Law Passes Authority to Withdraw Funds	Congress Treasury	Public Law Treasury Warrant	Balance With Treasury	X	X
			Unapportioned Appropriations		X
Appropriation of Funds	Office of Management and Budget	Appropriation Schedule *	Unapportioned Appropriations	X	
			Unallotted Appropriations		X
Allotment of Appropriation	Federal Agency Head	Allotment Advice	Unobligated Allotments	X	X
			Unobligated Allotments	X	
Obligation of Funds	Federal Program Officials	Grant Contract Purchase Order Interagency Agreement Loan Agreement	Unliquidated Obligations		X
			Unliquidated Obligations		X
Liquidation of Obligations	Federal Program Officials	Grantee Financial Reports/ Vendor Invoices Receiving Reports Transfers Between Agencies Payroll Vouchers Travel Vouchers	Unliquidated Obligations	X	
			Expended Appropriations		X
Record Assets, Expenses	Federal Program Officials	Grantee Financial Reports / Vendor Invoices Receiving Reports Transfers Between Agencies Payroll Vouchers Travel Vouchers	Assets	X	
			Inventory	X	
Payment of Funds	Treasury	Schedule of Voucher and Payments Prepared by Federal Agency	Expenses	X	
			Accounts Payable		X
Payment of Funds	Treasury	Schedule of Voucher and Payments Prepared by Federal Agency	Accounts Payable	X	
			Balance With Treasury		X

Figure 1. Federal Agency Accounting Process [Ref. 8:65]

PLANNING AND EXECUTING A PROGRAM FOR COST TYPE BUDGETS

All programs are based on the work or service to be accomplished and what that work will *COST*.

THE TERMS USED (Measured in Dollars)	HOW THE PROGRAM IS SET UP	PROGRAM CONTROLS
Transactions for Control Purposes OBLIGATIONS — Goods and services <i>ORDERED</i> regardless of when received, paid or used. ACCURSED EXPENDITURES — Goods and services <i>RECEIVED</i> regardless of when ordered, paid or used. COSTS — Goods and services <i>USED</i> regardless of when ordered, received, or paid. DISBURSEMENTS — Bills <i>PAID</i> , regardless of when ordered, received, or used.	1st COST OF THE WORK + OR — Changes in Inventories + OR — Changes in other available resources — Goods and Services received without charge 2nd ACCRUED EXPENDITURES + Increases in Undelivered Orders — Decreases in Undelivered Orders 3rd OBLIGATIONS — Reimbursements and funds contributed by others + Unobligated funds on hand 4th NEW APPROPRIATION REQUIRED	ESTIMATES AND OPERATING BUDGETS Control the <i>SCOPE</i> of the activity. CONGRESS Through <i>APPROPRIATIONS</i> controls the maximum <i>AMOUNT</i> of <i>ALLOTMENTS</i> that can be made (on an obligation basis) APPORTIONMENTS Control maximum amount of <i>ALLOTMENTS</i> that can be made and the <i>RATE</i> at which <i>OBLIGATIONS</i> can be incurred ALLOTMENTS <i>AT BROAD LEVELS</i> control the <i>AMOUNT</i> of <i>OBLIGATIONS</i> that can be incurred OPERATING BUDGETS Control the <i>COSTS</i> that can be incurred. REPORTS Of results reflect variations in the <i>ESTIMATES</i> and furnish a basis for control of <i>OPERATING BUDGETS</i>

Figure 2. Program for Cost Type Budgets [Ref. 8:100]

GLOSSARY OF TERMS

ALLOTMENT - An authorization, usually by agency head, to incur obligations within a specified amount and for definite purpose pursuant to an appropriation.

APPORTIONMENT - A distribution made by the Office of Management and Budget (OMB) of amounts available for specified time periods and functions. The amounts so apportioned limit the obligations that may be incurred.

APPROPRIATION - An act of Congress that allows federal agencies to incur obligations and make payments for specified purposes:

EXPENDITURES - Actual spending, generally interchangeable with outlays.

OBLIGATIONS - (Obligations incurred) Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or future period.

WARRANT - Official documents that are issued pursuant to law by the Secretary of the Treasury and that establish the amount of moneys authorized to be withdrawn from the Treasury [Ref. 22].

APPENDIX C

COST ACCOUNTS

This appendix contains a reprint of the VA's MP-4 accounting manual Appendix M-1 that lists the cost accounts for the readjustment appropriation 36X0137. Also included is a sample of the VA's FORM-4 appropriation report. The relevant accounts for the GI Bill veterans education programs are the ones noted as (Title) 38 U.S.C. Ch. 34. The VEAP account is identified (Title) 38 U.S.C. Ch. 32.

August 24, 1979

Cost Account	Description	Entitlement Code
	PAYMENTS AT PESO RATES—Continued	
3491 ³	Compensation—Veteran—WW II	91
3492 ⁴	Statutory Burial Award—Peacetime	92
3493	Plot or Interment Allowance	
3494	Burial Allowance—Service Connected]	
3495 ³	Compensation—Dependent—WW II	95
3496 ⁴	Compensation—Dependent—Peacetime	96
3497 ³	Compensation—Dependent—DIC—WW II	97
3499 ⁴	Compensation—Dependent—DIC—Peacetime	98

³ To be used for miscellaneous transactions where another expense account has not been specifically provided, including all writeoffs of receivables (i.e., waiver, uncollectibility, etc.) and collections of receivables previously written off.

⁴ To be used by the Manila regional office to record the difference between costs based on the VA established peso-dollar exchange rate and actual costs charged by the Treasury regional disbursing office when payments are made.

³ WW II includes: (1) service in the Commonwealth Army of the Philippines (VA Regulation 1008(C)), (2) Guerrilla Service (VA Regulation 1008(D)), and (3) service in the special Philippine Scouts (VA Regulation 1008(B)), but does not include service in the regular Philippine Scouts (VA Regulation 1008(A)).

⁴ Peacetime includes Commonwealth Army of the Philippines and special Philippine Scouts.

2. The accounts listed in this chart are subsidiary to general ledger accounts 4042 through 4046 (36X0137). Subaccount 4110 is applicable to each account except that subaccount 4210 is applicable to accounts 3501 through 3516, 3529, [3531, 3544, 3545, and 3551.]

3501	Automobiles or Other Conveyances—Disabled Veterans—38 U.S.C. Ch. 39. (Excludes cost of adaptive equipment.)
3502	Adaptive Equipment for Automobiles or Other Conveyances—Disabled Veterans—38 U.S.C. Ch. 39. (Includes costs of adaptive equipment and installation charges only for automobiles or other conveyances when purchased by veterans. Any trade-in allowance for automobiles or other conveyances which may have included adaptive equipment is not for application in determining this cost.)
3503	Maintenance and Repair of Adaptive Equipment for Automobiles or Other Conveyances—Disabled Veterans—38 U.S.C. Ch. 39. (Includes costs of repair, replacement and installation charges of adaptive equipment for automobiles and other conveyances previously purchased by veterans.)

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Cost Account	Description	Entitlement Code
3504	Subsistence Allowance (Vocational Rehabilitation)— Basic Entitlement—38 U.S.C. Ch. 31	04
3505	Adaptive Equipment for Automobiles or Other Conveyances— [Servicepersons]—38 U.S.C. Ch. 39. (Includes cost of adaptive equipment and installation charges only for automobiles or other conveyances when purchased by [servicepersons]. Any trade-in allowance for automobiles or other conveyances which may have included adaptive equipment is not for application in determining this cost.)	
3506	Maintenance and Repair of Adaptive Equipment for Automobiles or Other Conveyances—[Servicepersons]—38 U.S.C. Ch. 39 (Includes costs of repair, replacement and installation charges of adaptive equipment for automobiles or other conveyances previously purchased by [serviceperson].)	
3507	Tuition and Fees—(Vocational Rehabilitation)— College Level—38 U.S.C. Ch. 31	
3508	Subsistence Allowance (Vocational Rehabilitation)— Extended Entitlement—38 U.S.C. Ch. 31	08
3509	Tuition and Fees—(Vocational Rehabilitation)— Cooperative Farm Training—38 U.S.C. Ch. 31	
3510	Tuition and Fees—(Vocational Rehabilitation)— On-Job Training—38 U.S.C. Ch. 31	
3511	Tuition and Fees—(Vocational Rehabilitation)— Other Schools—38 U.S.C. Ch. 31	
3512	Books, Supplies and Equipment—(Vocational Rehabilitation)— College Level—38 U.S.C. Ch. 31	
3513	Books, Supplies and Equipment—(Vocational Rehabilitation)— Junior College Level—38 U.S.C. Ch. 31	
3514	Books, Supplies and Equipment—(Vocational Rehabilitation)— Cooperative Farm Training—38 U.S.C. Ch. 31	
3515	Books, Supplies and Equipment—(Vocational Rehabilitation)— On-Job Training—38 U.S.C. Ch. 31	
3516	Books, Supplies and Equipment—(Vocational Rehabilitation)— Other Schools—38 U.S.C. Ch. 31	
3517	Educational Assistance Allowance—POW [Spouses]— College Level—38 U.S.C. Ch. 35	89

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Cost Account	Description	Entitlement Code
3518	Educational Assistance Allowance—POW [Spouses]— Junior College Level—38 U.S.C. Ch. 35	89
3519	Educational Assistance Allowance—POW [Spouses]— Other Than College Level—38 U.S.C. Ch. 35	89
3520	Educational Assistance Allowance—POW Children— College Level—38 U.S.C. Ch. 35	80
3521	Educational Assistance Allowance—POW Children— Junior College Level—38 U.S.C. Ch. 35	80
3522	Educational Assistance Allowance—POW Children— Other Than College Level—38 U.S.C. Ch. 35	80
3523	Educational Assistance Allowance—Veterans—Junior College Level—38 U.S.C. Ch. 34	61
3524	Tutorial Assistance—College Level (Other Than Junior College Level)—38 U.S.C. Chs. 34 and 35	
3525	Tutorial Assistance—Junior College Level—38 U.S.C. Chs. 34 and 35	
3526	Tutorial Assistance—Other Than College Level—38 U.S.C. Chs. 34 and 35	
3528	Educational Assistance Allowance—[Servicepersons]—Junior College Level—38 U.S.C. Ch. 34	65
3529	Purchase and Repair of Automobiles or Other Conveyances and Adaptive Equipment for Automobiles or Other Conveyances for use in the Evaluation and Research Necessary to Establish the Standards of Safety and Quality as Prescribed by the Administrator (PL 91-606 sec. 1903(d))	
[3530]	Educational Assistance Post Vietnam—U.S.C. 38 Ch. 32]	
3531	Work-Study Allowance—38 U.S.C. Ch. 31	
3532	Work-Study Allowance—38 U.S.C. Ch. 34	
3533	Educational Assistance and Special Training Allowance— War Orphans—Any War or Service—Junior College Level—38 U.S.C. Ch. 35	81
[3534]	Educational Assistance Allowance—POW Children— Cooperative Farm Training—38 U.S.C. Ch. 35	80

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Cost Account	Description	Entitlement Code
3535	Educational Assistance Allowance and Special Training Allowance—War Orphans—Any War or Service—Cooperative Farm Training—38 U.S.C. Ch. 35	81
3536	Educational Assistance and Training Allowance—Children of Disabled Veterans—Any War or Service—Cooperative Farm Training—38 U.S.C. Ch. 35	82
3537	Educational Assistance and Training Allowance—Surviving Spouses—Any War or Service—Cooperative Farm Training—38 U.S.C. Ch. 35	85}
3538	Educational Assistance and Training Allowance—Children of Disabled Veterans—Any War or Service—Junior College Level—38 U.S.C. Ch. 35	{87
3539	Educational Assistance and Training Allowance—Spouses of Disabled Veterans—Any War or Service—Cooperative Farm Training—38 U.S.C. Ch. 35	88
3540	Educational Assistance Allowances—POW Spouses—Cooperative Farm Training—38 U.S.C. Ch. 35	89
3542	Predischarge Education Program—Ch. 32]	
3543	Educational Assistance and Training Allowance—[Surviving Spouses]—Any War or Service—Junior College Level—38 U.S.C. Ch. 35	85
3544	Automobiles and Other Conveyances—[Servicepersons]—38 U.S.C. Ch. 39 (Excludes cost of adaptive equipment.)	
3545	Tuition and Fees—(Vocational Rehabilitation)—[Junior] College Level—38 U.S.C. Ch. 31	
3548	Educational Assistance and Training Allowance—[Spouses] of Disabled Veterans—Any War or Service—Junior College Level—38 U.S.C. Ch. 35	88
3551	Grants—Special Adapted Housing for Disabled Veterans	
3552	Educational Assistance and Training Allowance—[Surviving Spouses]—Any War or Service—Correspondence—38 U.S.C. Ch. 35	85
3553	Educational Assistance and Training Allowance—[Spouses] of Disabled Veterans—Any War or Service—Correspondence—38 U.S.C. 35	88

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Cost Account	Description	Entitlement Code
3554	Educational Assistance Allowance--POW (Spouses) -- Correspondence--38 U.S.C. Ch. 35	89
3555	Educational Assistance Allowance--[Servicepersons] --Flight Training--38 U.S.C. Ch. 34 (Effective 7/1/69)	65
3559	Expense Account Undetermined (To be used by Central Office only for general ledger account 352087)	
3560	Educational Assistance Allowance--[Servicepersons] -- Correspondence--38 U.S.C. Ch. 34	65
3561	Educational Assistance Allowance--Veterans--College Level--38 U.S.C. Ch. 34	61
3562	Educational Assistance Allowance--Veterans--Flight Training--38 U.S.C. Ch. 34 (Effective 7/1/68)	61
3563	Educational Assistance Allowance--Veterans-- Correspondence--38 U.S.C. Ch. 34	61
3564	Educational Assistance Allowance--Veterans-- Cooperative Farm Training--38 U.S.C. Ch. 34 (Effective 7/1/68)	61
3565	Educational Assistance Allowance--[Servicepersons] -- College Level--38 U.S.C. Ch. 34	65
3566	Educational Assistance Allowance--Veterans--Other Schools--38 U.S.C. Ch. 34 (Effective 7/1/68)	61
3567	Educational Assistance Allowance--Veterans--On- Job-Training--38 U.S.C. Ch. 34 (Effective 7/1/68)	
3568	Educational Assistance Allowance--[Servicepersons] -- Other Than College Level--38 U.S.C. Ch. 34	65
3569	Expense Account Undetermined (DPC Only) [--38 U.S.C. Ch. 34]	
3570	Subsistence Allowance--Veterans--(Education)--WW II [--38 U.S.C. Ch. 31]	
3571	Educational Assistance Allowance and Special Training Allowance--War Orphans--Any War or Service--On-Job Training--38 U.S.C. Ch. 35	81
3572	Educational Assistance and Training Allowance-- Children of Disabled Veterans--Any War or Service-- On-Job Training--38 U.S.C. Ch. 35	82

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Cost Account	Description	Entitlement Code
3573	Advances—Tuition—(Vocational Rehabilitation)—38 U.S.C. Ch. 31	
3574	Educational Assistance and Training Allowance— [Spouses] of Disabled Veterans—Any War or Service— On-Job Training—38 U.S.C. Ch. 35	88
3575	Educational Assistance Allowance—POW [Spouses]— On-Job Training—38 U.S.C. Ch. 35	89
3576	Educational Assistance Allowance—POW Children— On-Job Training—38 U.S.C. Ch. 35	80
3578	Educational Assistance and Training Allowance— [Surviving Spouses]—Any War or Service—On-Job Training— 38 U.S.C. Ch. 35	85
3579 ¹	Benefit Payment General Expense Account [—38 U.S.C. Ch. 34]	
3580	Education and Training Allowance—38 U.S.C. Ch. [34]	
3581	Educational Assistance and Special Training Allowance— War Orphans—Any War or Service—College Level— 38 U.S.C. Ch. 35	91
3582	Educational Assistance and Special Training Allowance—Children of Disabled Veterans—Any War or Service—College Level— 38 U.S.C. Ch. 35	
3583	Educational Assistance and Special Training Allowance— War Orphan—Any War or Service—Other Than College Level—38 U.S.C. Ch. 35	81
3584	Educational Assistance and Training Allowance—Children of Disabled Veterans—Any War or Service—Other Than College Level—38 U.S.C. Ch. 35	82
3585	Educational Assistance and Training Allowance—[Surviving Spouses]—Any War or Service—College Level—38 U.S.C. Ch. 35	95
3586	Educational Assistance and Training Allowance—[Surviving Spouses]—Any War or Service—Other Than College Level— 38 U.S.C. Ch. 35	85
3587	Educational Assistance and Training Allowance—[Spouses]— of Disabled Veterans—Any War or Service—College Level, 38 U.S.C. Ch. 35	88

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Cost Account	Description	Entitlement Code
3588	Educational Assistance and Training Allowance—[Spouses]— of Disabled Veterans—Any War or Service—Other Than College Level—38 U.S.C. Ch. 35	88
3589 ²	Peso Exchange Variance	
[3590	Educational Assistance and Special Training Allowance— War Orphans—Cooperative Farm Training— 38 U.S.C. Ch. 35	94
3591	Educational Assistance and Training Allowance— Children of Disabled Veterans—Cooperative Farm Training—38 U.S.C. Ch. 35	98]
3593	Educational Assistance and Special Training Allowance— War Orphans—Junior College Level—38 U.S.C. Ch. 35	94
3594	Educational Assistance and Special Training Allowance— War Orphans—College Level—38 U.S.C. Ch. 35 (PL 89-613)	94
3595	Educational Assistance and Special Training Allowance— War Orphans—Other Than College Level—38 U.S.C. Ch. 35 (PL 89-613)	94
3597	Educational Assistance and Training Allowance—Children of Disabled Veterans—Junior College Level—38 U.S.C. Ch. 35	98
3598	Educational Assistance and Training Allowance— Children of Disabled Veterans—College Level— 38 U.S.C. Ch. 35 (PL 89-613)	98
3599	Educational Assistance and Training Allowance— Children of Disabled Veterans—Other Than College Level—38 U.S.C. [Ch. 35]	

¹ To be used for miscellaneous transactions where another expense account has not been specifically provided, including writeoffs or receivables (i.e., waiver, uncollectibility, etc.) and collections of receivables previously written off.

² To be used by the Manila regional office to record the difference between costs based on the 1:1 established peso-dollar exchange rate and actual costs charged for the pesos by the Treasury disbursing office when payments are made.

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DEPARTMENT OF VETERANS BENEFITS
SUMMARY OF BENEFIT PAYMENTS
FORM-4 APPROPRIATION - 00137
AS OF 09-30-83

JOB NO. 07-AI-01-503

ACCOUNT NO	ACCOUNT TITLE	MONTHLY TRANS	TRANS FY TO DATE	LINE NO
3561 4110	ED ASST ALLOW VET COLLEGE CH 34	302,136,700.28	510,713,487.73	0050
3526 4110	TUTORIAL ASSIST COLLEGE CH 34	19,905.89	582,489.28	0100
3523 4110	ED ASST ALL VET JR COLLEGE CH 34	28,249,753.18	573,652,167.91	0150
3529 4110	TUTORIAL ASSIST JK COLLEGE CH 34	7,049.97	200,077.77	0200
3579 4110	GENERAL EXPENSE ACCOUNT	266,801.45	5,236,721.97	0250
3559 4110	EXPENSE ACCTS UNDETERMINED CO ONLY	10,130.77	9,629,106.08	0300
3569 4110	EXPENSE ACCTS UNDETERMINED DPC ONLY	43,436.32	566,060,326.08	0350
3520 4110	SUB-TOT VETS THE TRAINING	58,646,705.22	1,009,419,815.14	0400
3520 4110	ED ASST ALLOW SVC JR COLLEGE CH 34	136,529.39	2,111,806.96	0450
3565 4110	ED ASST ALLOW SVC COLLEGE CH 34	1,849,945.98	33,941,966.45	0500
3565 4110	SUB-TOT SERVICE MEN THE TRAINING	1,986,475.37	36,053,553.61	0550
3566 4110	TOTAL THE TRAINING	60,633,180.59	1,125,473,368.55	0600
3566 4110	ED ASST ALL VET OTH SCH CH 34	10,809,388.37	187,993,706.01	0650
3526 4110	TUTORIAL ASSIST OTH THAN COLLEGE CH 34	455.00	13,010.90	0700
3566 4110	SUB-TOT VETERANS BCL TRAINING	10,809,843.37	188,006,716.91	0750
3568 4110	ED ASST ALLOW SVC OTHER CH 34	28,105.17	446,811.24	0800
3566 4110	TOTAL BCL TRAINING	10,837,948.54	188,453,528.15	0850
3566 4110	ED ASST ALL VET CDMP FARM CH 34	422,917.95	6,750,731.64	0900
3567 4110	ED ASST ALLOW VET OJT CH 34	1,046,883.50	41,459,535.53	0950
3562 4110	ED ASST ALLOW VET FLIGHT CH 34	61,949.61	1,799,164.21	1000
3555 4110	ED ASST ALLOW SVC FLIGHT CH 34	37,932.68	1,036,620.08	1050
3566 4110	SUB-TOTAL FLIGHT TRAINING	99,882.29	2,835,784.29	1100
3563 4110	ED ASST ALLOW VET CORRESPONDENCE CH 34	153,556.45	3,350,286.72	1150
3560 4110	ED ASST ALLOW SVC CORRESPONDENCE CH 34	58,211.98	1,208,307.12	1200
3532 4110	SUB-TOTAL CORRESPONDENCE TRAINING	211,768.43	4,558,593.84	1250
3532 4110	WORK STUDY ALLOWANCE CH 34	1,495,572.50	26,534,050.36	1300

DEPARTMENT OF VETERANS BENEFITS
SUMMARY OF BENEFIT PAYMENTS
FORM-4 APPROPRIATION - 00137
AS OF 09-30-83

JOB NO. 07-AL-01-503

ACCOUNT NO	ACCOUNT TITLE	MONTHLY TRANS	TRANS FY TO DATE	LINE NO
3500 4110	TOTAL POST KOREAN TRAINING CH 34	75,548,053.74	1,394,066,592.36	1350
	ED AND TRAINING ALLOW CH 33	.00	.00	1400
3520 4110	ED ASST ALLOW POW CHILD COL LEVEL CH 35	1,761.90	31,723.06	1450
3521 4110	ED ASST ALLOW POW CHILD JR COL CH 35	519.86	10,444.57	1500
3581 4110	E/T ALLOW ORPH ANY WAR COL LEV CH 35	2,521,626.56	45,929,009.85	1550
3533 4110	E/T ALLOW ORPH ANY WAR JR COL CH 35	1,185,904.94	25,163,313.42	1600
3582 4110	E/T ALLOW CHILD DAV ANY WAR JR COL CH 35	2,527,086.53	45,275,232.63	1650
3530 4110	E/T ASST CHILD DAV ANY WAR JR COL CH 35	1,170,194.99	23,037,910.52	1700
3594 4110	E/T ASST ORPH COL PESOS PL 86-613 CH 35	63,816.78	716,238.05	1750
3593 4110	E/T ASST ORPHANS JR COL PESOS CH 35	.00	.00	1800
3598 4110	ED ASST CHILD DAV COL PESOS PL 89-613	112,839.39	1,163,918.07	1850
	S/T SONS DAUGHTERS TML TRAINING CH 35	7,583,750.95	141,327,790.97	1950
3583 4110	E/T ALLOW ORPH ANY WAR OTHER CH 35	322,787.36	6,903,848.36	2000
3584 4110	E/T ALLOW CHILD DAV ANY WAR OTHER CH 35	361,454.49	6,971,957.40	2050
3595 4110	E/T ALLOW ORPH OTHER PESO PL 89-613	4,886.42	51,863.19	2100
3599 4110	E/T ALLOW CHILD DAV OTHER PESO	6,524.26	61,824.81	2150
3522 4110	ED ASST POW CHILD OTHER CH 35	.00	76.00	2200
	SUB-TOTAL SONS DAUGHTERS BCL TRAINING	695,650.53	13,989,569.76	2250
3535 4110	ED ASST ORPH ANY WAR COOP FARM CH 35	1,858.36	24,195.96	2260
3536 4110	ED ASST CHILD DAV ANY WAR COOP FARM	965.94	13,983.74	2265
	SUB TOTAL SONS, DAUGHTERS, COOP FARM	2,824.30	38,179.70	2280
3531 4110	E/T ALLOW WAR ORPH ANY WAR DUT CH 35	4,702.27	169,213.65	2300
3532 4110	E/T ALLOW CHILD DAV ANY WAR DUT CH 35	7,924.02	170,083.50	2350
	SUB-TOTAL SONS DAUGHTERS DUT	12,626.29	339,297.15	2450
	TOTAL SONS DAUGHTERS TRAINING CH 35	8,294,052.07	155,694,837.58	2500

DEPARTMENT OF VETERANS BENEFITS SUMMARY OF BENEFIT PAYMENTS FORM-4, APPROPRIATION - 00137 AS OF 06-30-83				JOB NO. 07-A1-01-503	
ACCOUNT NO	ACCOUNT TITLE	MONTHLY TRANS	TRANS FY TO DATE	LINE NO	
3585 4110	ED ASST WIDOWS ANY WAR COL CH 35	188,774.36	3,082,658.19	2550	
3543 4110	ED ASST WIDOWS ANY WAR JR COL CH 35	223,081.16	4,115,300.16	2600	
3587 4110	ED ASST WIVES DAY COLLEGE CH 35	186,101.18	2,701,919.07	2650	
3548 4110	ED ASST WIVES DAY JR COL CH 35	178,692.61	3,335,796.36	2700	
3517 4110	ED ASST POW WIVES COLLEGE CH 35	.00	3,767.46	2750	
3518 4110	ED ASST POW WIVES JR COL CH 35	.00	1,202.96	2800	
	S/T ED ASST WIVES WIDOWS TRL TRAINING	771,849.31	13,240,627.16	2850	
3586 4110	ED ASST WIDOWS ANY WAR OTHER CH 35	51,227.21	1,367,533.05	2900	
3588 4110	ED ASST WIVES DAY OTHER CH 35	55,582.81	1,200,002.49	2950	
3519 4110	ED ASST POW WIVES OTHER CH 35	.00	398.87	3000	
	S/T ED ASST WIVES WIDOWS BCL TRAINING	106,809.02	2,568,135.17	3050	
3537 4110	ED ASST WIDOWS ANY WAR COOP FARM CH 35	1,554.60	24,190.80	3060	
3539 4110	ED ASST WIVES DAY ANY WAR COOP FARM	828.00	21,334.67	3070	
3540 4110	ED ASST POW WIVES COOP FARM CH 35	.00	3,036.00	3080	
	SUB TOTAL WIVES WIDOWS COOP FARM	2,382.60	48,561.47	3090	
3552 4110	E/T ALLOW WIDOWS ANY WAR CORRES CH 35	12.35	1,878.27	3100	
3553 4110	E/T ALLOW WIVES ANY WAR CORRES CH 35	.00	1,202.24	3150	
	S/T WIVES WIDOWS CORRESPONDENCE CH 35	12.35	3,080.51	3250	
3574 4110	E/T ALLOW WIVES ANY WAR OJT CH 35	684.00	9,803.39	3300	
3575 4110	ED ASST ALLOW POW WIVES OJT CH 35	.00	.00	3350	
3576 4110	E/T ALLOW WIDOWS ANY WAR OJT CH 35	.00	9,495.27	3400	
	S/T WIVES WIDOWS OJT CH 35	684.00	18,898.66	3450	
	TOTAL WIVES WIDOWS TRAINING CH 35	881,738.28	15,879,302.95	3500	
	TOTAL CHAPTER 35 TRAINING	9,176,590.35	171,574,146.55	3550	
	TOTAL EDUCATION AND TRAINING	84,724,644.09	1,565,640,732.89	3600	

DEPARTMENT OF VETERANS BENEFITS
SUMMARY OF BENEFIT PAYMENTS
FORM-4, APPROPRIATION - 00137
AS OF 09-30-83

JOB NO. 07-41-01-503

ACCOUNT NO	ACCOUNT TITLE	MONTHLY TRANS	TRANS FY TO DATE	LINE NO
3507 4210	TUIT/FEES VOC REHAB COL LEV CH 31	887,144.69	19,988,530.60 ✓	3650
3545 4210	TUIT/FEES VOC REHAB JR COL CH 31	200,750.03	3,773,479.26	3700
3512 4210	BOOKS SUPP/EQUIP COL LEV CH 31	131,267.84	2,996,541.17 ✓	3750
3513 4210	BOOKS SUPP/EQUIP JR COL LEV CH 31	75,601.88	1,577,988.67	3800
3509 4210	TUIT FEES VOC REH COOP FARM CH 31	6,344.00	93,383.68	3900
3510 4210	TUIT FEES VOC REH DJT CH 31	22,373.34	307,588.24	3950
3511 4210	TUIT FEES VOC REH OTHER SCH CH 31	675,779.40	10,378,385.09	4000
3514 4210	BKS SUPP/EQU COOP FARM CH 31	15.00	16,802.25	4050
3515 4210	BKS SUPP/EQU VOC REH DJT CH 31	3,298.91	101,303.67	4100
3516 4210	BKS SUPP/EQU OTHER SCH CH 31	113,195.20	1,822,699.40	4150
	S/T TOT BKS SUPP/EQU VOC REH CH 31	2,119,790.29	41,056,711.53 ✓	4200
3506 4210	SUBSIST ALLOW VOC REH BASIC ENT CH 31	5,273,598.19	74,093,789.16	4250
3508 4210	SUBSIST ALLOW VOC REH EXT ENT CH 31	2,812.29	136,655.90	4300
3570 4210	SUBSIST ALLOW VETS EDUC WZ	.00	260.03	4350
	SUB TOT SUBSISTENCE ALLOWANCE	5,276,410.78	76,230,705.09	4400
3531 4210	WORK STUDY ALLOWANCE CH 31	177,634.33	2,310,803.92	4450
	TOTAL VOC REHAB CH 31	7,573,835.40	117,598,220.44 ✓	4500
3551 4210	GRANTS SPEC ADAPTED HOUSING DAY	872,352.93	16,181,851.69	4550
3501 4210	AUTO OR OTH CONVEY FOR DAY CH 39	279,491.57	4,188,730.75 ✓	4650
	S/T AUTO OR OTH CONVEY VETS/SVC CH 39	279,491.57	4,188,730.75 ✓	4750
3502 4210	ADAPT EQUIP FOR AUTO DAY CH 39	492,804.67	7,888,021.48 ✓	4800
3505 4210	ADAPT EQUIP FOR AUTO SVCMEN CH 39	.00	4,158.00	4850
	S/T ADAPT EQUIP FOR AUTO VET S7SVC CH 39	492,804.67	7,892,179.48 ✓	4900
3503 4210	MAINT REPAIR OF ADAPT EQU FOR AUTO DAY	43,553.00	790,917.15	4950
	S/T MAINT REP OF ADAPT EQU VETS/SVC	43,553.00	790,917.15	5050

DEPARTMENT OF VETERANS BENEFITS
SUMMARY OF BENEFIT PAYMENTS -
FORM-4 APPROPRIATION - 00137
AS OF 09-30-83

JOB NO. 07-AL-01-503

ACCOUNT NO	ACCOUNT TITLE	MONTHLY TRANS	TRANS FY TO DATE	LINE NO
	S/T AUTO/ADAPT EQUIP/MAINT REPAIR VETS	815,849:26	12,867,869:38	5100
	S/T AUTO/ADAPT EQUIP/MAINT REPAIR SVC	.00	6,158:00	5150
	TOT AUTO/EQUIP/MAINT REP VETS/SVC	815,849:26	12,874,027:38	5200
	TOT AUTO/ADPT EQUIP/MAINT REP RESEARCH	815,849:26	12,874,027:38	5250
	TOTAL SPECIAL ASSISTANCE TO DAY	9,262,037:57	166,651,699:51	5300
5530 4110	ED ASST POST VIETNAM U.S.C. 38 CH 32	.00	75:00	5325
	PAYMENT AT PESO RATES	188,066:85	1,993,846:92	5350
	TOTAL COST	93,986,691:66	1,710,292,507:40	5400
	CURRENT YEAR CHANGE IN RECEIVABLES	5,786,980:36	32,583,856:45	5450
	ACCRUED EXPENDITURES	88,199,701:33	1,677,706,852:95	5500
	CHANGE IN UNDELIVERED ORDERS	9,163,841:32	3,977,599:28	5550
	OBLIGATIONS	79,035,660:01	1,673,731,253:75	5600

APPENDIX D
EDUCATION END PRODUCTS

This appendix contains a list of the education end products and a sample of the VA's western region work unit's completed report. This system is a work measurement method that is used by the VA for staffing and planning the educational service programs such as the GI Bill and VEAP [Ref. 26].

EDUCATION END PRODUCTS

- a. EP 200: Original Education. Includes application processing and original award/disallowance actions. Includes substantive appeals.
- b. EP 210: Reentrance/First Change of Program. Includes certificate of eligibility, entitlement restoration, tutorial assistance, training time change, out-of-system adjustment, incarcerated claimant, high school action, counseling request and other change of status not covered by a specific end product. Includes substantive appeals.
- c. EP 220: Mitigating Circumstances. Only one EP 220 will be taken for each mitigating circumstances determination. Includes substantive appeals.
- d. EP 230: Dependency Claim (Education). Includes claims for an education award apportionment, adjustment in running awards due to birth, death, divorce, marriage, remarriage, or discontinuance of school attendance of child over age 18. Includes substantive appeals and chapter 31 dependency issues. Does not apply to dependents attending school in compensation, pension or DIC payment cases.
- e. EP 240: Unsatisfactory Progress. An EP 240 is properly taken at the time the issue of unsatisfactory progress is resolved. PL 97-72 delimiting date extensions will also use EP 240 until further notice. Other delimiting date extensions will continue to be counted as EP 250. Includes substantive appeals.
- f. EP 250: Extended Delimiting Date (Disability). Action unchanged. Includes substantive appeals.
- g. EP 260: Education Loan. Action unchanged; new end product code number. Includes substantive appeals.
- h. EP 270: Notice of Disagreement (Education). Includes statement-of-case work. Work-rate standard differs from C&P (17C) due to difference in rating time and frequency. Also includes chapter 31 MOD's prepared by Adjudication. If a substantive appeal results, it reverts to the original end product. It does not revert to an EP 120.
- i. EP 280: Second Change of Program. An EP 280 is properly taken at the time the issue of a second or subsequent change of program is resolved. Includes subsequent changes of program and substantive appeals.

WESTERN REGION
EDUCATION WORKLOAD
FY 1983 TOTAL
WORK UNITS COMPLETED

STATION	EP 200	EP 210	EP 220	EP 230	EP 240	EP 250	EP 260	EP 270	EP 280	TOTAL	% REGION	% NATION
ANCHORAGE	480	3914	615	325	86	12	5	9	13	5459	0.71%	0.25%
ALBUQUERQUE	1280	13054	1678	1324	311	87	7	10	323	18074	2.35%	0.84%
BOISE	629	7353	748	685	147	36	7	6	104	9715	1.26%	0.45%
CHEYENNE	373	3483	542	526	223	28	0	11	133	5319	0.69%	0.25%
DENVER	2821	34834	4742	3157	738	96	15	42	611	47056	6.11%	2.19%
FT. HARRISON	665	5454	458	652	356	29	3	21	153	7831	1.02%	0.36%
HONOLULU	1384	14767	1813	890	87	23	4	5	126	19099	2.48%	0.89%
HOUSTON	4243	48012	8411	4951	2093	140	13	43	1376	69282	9.00%	3.22%
LOS ANGELES	5543	74081	15189	7111	828	382	24	34	504	103496	13.17%	4.82%
MANILA	533	6614	57	421	40	14	0	7	11	7697	1.00%	0.36%
PHOENIX	2548	34161	7531	4864	538	123	10	67	821	50663	6.58%	2.35%
PORTLAND	1509	24756	3422	2486	782	156	40	37	276	33444	4.35%	1.55%
RENO	741	8365	1773	906	144	23	2	12	160	12126	1.58%	0.56%
SALT LAKE CITY	868	14489	773	1449	428	36	13	9	340	18405	2.39%	0.85%
SAN DIEGO	3229	60302	3174	3545	665	170	3	47	505	71640	9.31%	3.33%
SAN FRANCISCO	5747	97857	12249	9391	1412	287	37	85	1170	128235	16.66%	5.96%
SEATTLE	3635	46290	5876	3786	874	94	21	24	904	61504	7.99%	2.86%
WACO	6293	71815	12711	6320	1375	105	14	29	1691	100353	13.04%	4.66%
TOTAL	42521	569581	81762	52829	11127	1841	218	498	9221	769598		35.74%
PERCENT	5.53%	74.01%	10.62%	6.86%	1.45%	0.24%	0.03%	0.06%	1.20%			
WORKRATE	1.06	0.63	1.00	0.81	0.98	2.12	1.53	2.78	0.96			
SMH	45072	358836	81762	42791	10904	3903	334	1384	8852	553839		

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